

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

In the Matter of Missouri-American Water)
Company's Request for Authority to)
Implement a General Rate Increase)
for Water and Sewer Service Provided in)
Missouri Service Areas)

Case No. WR-2015-0301

DIRECT TESTIMONY OF ALAN RATERMANN

STATE OF MISSOURI)

) ss

COUNTY OF ST. LOUIS)

Alan Ratermann, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Alan Ratermann

Alan Ratermann

Subscribed and sworn to before me this 20th day of January, 2016.

Mary M. Schallom

Notary Public

My commission expires 6/13/2018



MARY M. SCHALLOM
My Commission Expires
June 13, 2018
St. Louis County
Commission #14482050

NP

Direct Testimony of Alan Ratermann
Submitted on Behalf of UWUA Local 335
Case No. WR-2015-0301

1 **Please identify yourself and your job title.**

2 My name is Alan Ratermann. I am the Vice President of Utility Workers Union of
3 America, Local 335 (“UWUA Local 335”). My union represents approximately 355 members,
4 all of whom work for Missouri American Water (“MAWC”).

5 **Please describe your history with MAWC and UWUA Local 335.**

6 I have worked for MAWC since 1991. I have been part of the Construction Department
7 since 1995 and a Lead Person in that department since 2004. I am a Lead Person in the
8 Distribution Field Worker classification and have held that position since July of 2011. I have
9 served three terms as President and three terms as Vice President of UWUA Local 335.

10 **What is the purpose of this testimony?**

11 The purpose of my testimony is to discuss the unfilled jobs in UWUA Local 335’s
12 bargaining unit and MAWC’s valve maintenance procedure.

13 **What testimony do you have concerning the unfilled jobs?**

14 According to MAWC’s response to UWUA Local 335’s Data Request No. 2-0001, as of
15 October 31, 2015, MAWC employs 68 fewer bargaining unit employees than it did on December
16 31, 2010. Attached and incorporated as Exhibit 1 is MAWC’s response to UWUA Local 335’s
17 Data Request No. 2-0001. However, according to MAWC’s response to UWUA Local 335’s
18 Data Request No. 1-0001, it was currently “filling” just two open vacancies created by
19 employees who have left MAWC’s service since 2011. Attached and incorporated as Exhibit 2 is
20 MAWC’s response to UWUA Local 335’s Data Request No. 1-0001 (HC). According to its
21 response, MAWC indicates that vacancies will be filled as the “business need arises.” Attached

1 and incorporated as Exhibit 3 is MAWC's response to UWUA Local 335's Data Request No. 1-
2 0003.

3 In addition to failing to fill jobs, MAWC is not using all available resources to adequately
4 prepare bargaining unit employees to fill open vacancies. For example, there are no employees
5 currently assigned to the "shop mechanic helper" classification, which was designed to transition
6 employees into higher-level mechanic positions over a three-year period. To my knowledge,
7 MAWC has not hired any employees into the "shop mechanic helper" classification in at least
8 five years (note that Exhibit 1 does not list the shop mechanic helper classification).

9 **What is the impact of the unfilled jobs on the provision of safe and adequate service?**

10 The unfilled positions cover the entire spectrum of Local 335's bargaining unit. In order
11 for MAWC to provide safe and adequate service, it is essential that it is properly staffed. UWUA
12 Local 335's bargaining unit is specifically trained and tailored to work on MAWC's system. It
13 is continually evaluated, trained, and tested to meet the high standards required by MAWC.
14 Moreover, MAWC's internal workforce is the most readily available workforce to respond to
15 emergencies and immediate customer needs. Customer service classifications are vital for
16 obvious reasons, and there are approximately 24 fewer employees in customer service
17 classifications today than there were as of October 31, 2010. See Exhibit 1. Further, customer
18 service can be affected by low staffing in other departments. For example, fewer garage
19 mechanics could result in fleet vehicles that are not serviced in a prompt and efficient manner,
20 which could then result in fewer vehicles available to respond to service calls.

21 **Is there any indication that additional jobs will become vacant in the future?**

22 In addition to the unfilled positions that presently exist, the aging workforce is also an
23 issue. MAWC considers bargaining unit employees to be eligible for retirement at age 61. See

1 MAWC's response to UWUA Local 335's Data Request No. 2-0002, which is attached and
2 incorporated as Exhibit 4. According to MAWC's responses to UWUA Local 335's Data
3 Request Nos. 2-0004 and 2-0005, 9 bargaining unit members retired in 2015, and MAWC
4 expected two more bargaining unit employees to retire in November of 2015. Attached and
5 incorporated as Exhibit 5 are MAWC's responses to UWUA Local 335's Data Request Nos. 2-
6 0004 (HC) and 2-0005. In addition to those employees that actually retired, approximately 9
7 bargaining unit members were retirement-eligible (aged 61 or older) at the time MAWC
8 submitted its response to UWUA Local 335's Data Request No. 1-0004, (HC) which is attached
9 and incorporated as Exhibit 6. Approximately 82 additional employees will become retirement-
10 eligible by MAWC's standards during the years 2016 through 2020. Attached and incorporated
11 as Exhibit 7 is MAWC's response to UWUA Local 335's Data Request No. 1-0005. This means
12 that approximately 25% of the current unionized workforce will reach the age MAWC considers
13 retirement-eligible over the next five years.

14 Further, pursuant to the Pension Plan Document governing UWUA Local 335 employees,
15 employees may be eligible for early retirement at age 55. (Early retirement also requires a
16 certain number of years of service.) A true and accurate copy of the Pension Plan Document is
17 attached and incorporated as Exhibit 8. There are currently 107 bargaining unit employees aged
18 55 or older who may be eligible for early retirement if they have the requisite number of years of
19 service. See Exhibit 7. Further, an additional 77 bargaining unit employees will turn 55 by the
20 end of 2020. Id. These 184 employees who will be eligible for early retirement over the next five
21 years (assuming they meet the criteria) comprise over half of the current bargaining unit.

22 Given these figures, it is essential that new hires are made into the bargaining unit so that
23 MAWC does not suffer a "skills gap" upon the retirement of experienced workers.

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Do you have any recommendations for the Commission with regard to the unfilled positions?

I suggest that the Commission condition any rate increase on MAWC’s filling the unfilled positions in UWUA Local 335’s bargaining unit and agreeing to promptly fill all future vacancies.

What is your testimony concerning the valve maintenance program?

In 2011, MAWC indicated that there were approximately **** 1,200 **** miles of mains, **** 1,200 **** valves, and over **** 1,200 **** hydrant valves present in MAWC’s St. Louis County water distribution system. A true and accurate copy of MAWC’s Answer in Case No. WC-2011-0341 is attached hereto as Exhibit 9 (See ¶¶11-12, 26). Valves are mechanical devices in or attached to pipelines to control flow. Id. at ¶12. Valves are used to isolate sections of water mains, isolate fire hydrants, isolate customer connections, isolate pressure zones, regulate pressure, flush mains, remove air, control direction of flow, fill storage tanks, and prevent damage. Id. at ¶12. Some valves in MAWC’s water system are over 80 years old. Id. at ¶13.

What is valve exercising?

Valve exercising is a maintenance procedure whereby the valves are operated to ensure that they are functioning properly. Exercising a valve also helps remove the corrosion and sediment that builds up inside, which makes the valve more difficult to close. If a valve does not completely close due to built-up corrosion and sediment, it will not be effective in isolating the main. In that case, a valve at another location will need to be closed, thereby putting additional customers out of service.

How is valve exercising performed?

****Denotes removal of Highly Confidential information****

1 Valve exercising can be done manually by using a valve key or by using a gas powered
2 machine possessed by MAWC. See Exhibit 9, ¶15. To my knowledge, the gas powered
3 machine is not currently being used. Based on discussions with coworkers with direct
4 knowledge, I have learned that in the late 1980s and early 1990s, MAWC had a crew of 3-4
5 maintenance employees who were exclusively assigned to exercising valves. Since then,
6 MAWC has not had any employees exclusively assigned to valve exercise.

7 **Has MAWC's parent company produced any policies concerning valve maintenance?**

8 In 2007, American Water Company (MAWC's parent) drafted a "Valve Operation,
9 Inspection, and Maintenance Practice" (the "Practice"). A true and accurate copy of the
10 American Water practice document is attached hereto as Exhibit 10. MAWC's President, Frank
11 Kartmann, was the "sponsor" in developing this Practice. Id. at 6. The stated purpose of the
12 Practice is to ensure that American Water Company's subsidiaries "develop and utilize a
13 consistent program to effectively inspect and maintain valves within its distribution system in
14 order to ensure the operational integrity of these assets and to optimize the utilization of
15 personnel resources." Id. at 1. Specifically, the Practice sets out the steps for proper valve
16 exercising, the frequency of maintenance techniques, and data collection practices. Id.

17 The Practice lists the following benefits of an effective valve maintenance program: (1)
18 monitoring of the system; (2) assisting future planning purposes for replacement; (3) providing a
19 faster response to emergency events; (4) minimizing risk (notably property loss and damages);
20 (5) reducing the cost of repairs/installations; (6) reducing the impact to customers of service
21 interruptions, and (7) maximizing the Company's credibility to external parties including
22 regulators. Id. at 1. Moreover, the Practice warns that valve failure due to insufficient
23 maintenance "may result in extensive damage to infrastructure and/or property loss, extended

1 service interruptions to our customers and can lead to costly repairs or replacement activities.”

2 Id.

3 **Has MAWC followed the Practice developed by American Water Company?**

4 Not to my knowledge.

5 **Are the Company’s current practices a sufficient valve maintenance program?**

6 Not in my opinion. UWUA Local 335 raised the issue of insufficient valve maintenance
7 in Case No. WR-2011-0037, and to my knowledge, MAWC’s practices with respect to valve
8 maintenance have not substantially changed since then. Attached and incorporated as Exhibit 11
9 is the Direct Testimony of Alan Ratermann in Case No. WR-2011-0037; see page 7, line 9
10 through page 8, line 21 (HC). MAWC and UWUA Local 335 entered into a Memorandum of
11 Understanding (“MOU”) regarding a valve maintenance program in February of 2012. A copy of
12 the executed MOU is attached and incorporated as Exhibit 12. The MOU obligated MAWC to
13 “develop a business case concerning the benefits and costs of implementing a systemic valve
14 maintenance program in St. Louis County.” Id. at page 1, paragraph 3. I do not know if MAWC
15 ever developed the business case as required (though UWUA Local 335 has issued a pending
16 Data Request on the subject), and, to my knowledge, MAWC has not implemented a valve
17 maintenance program.

18 **Have other American Water subsidiaries been required to implement the Practice?**

19 In a case before the Tennessee Regulatory Authority, MAWC’s sibling company,
20 Tennessee American Water, was ordered to submit to semi-annual reporting on its valve
21 maintenance program. In that matter, the union representing Tennessee American Water’s
22 employees submitted evidence that the company had failed to adequately maintain its valve
23 exercise program. As a result, Tennessee American Water was required to report on the

1 following: (1) the number of employees assigned to its valve program, (2) the number of valves
2 planned to be inspected or maintained in the previous reporting period, (3) the number of valves
3 actually inspected or maintained in the previous reporting period, (4) the number of valves in
4 need of repair or replacement, (5) the date for repair or replacement for damaged valves, and (6)
5 the reasons behind any decision not to repair or replace any damaged valves. A true and accurate
6 copy of the Motion of Tennessee Regulatory Authority Chairman Mary W. Freeman detailing
7 same is attached hereto as Exhibit 13. A true and accurate copy of an April 6, 2011 Tennessee
8 Regulatory Authority press release indicating same is attached hereto as Exhibit 14.

9 **Do you have any recommendations to the Commission regarding valve maintenance?**

10 I suggest that the Commission issue an Order requiring MAWC to engage in semi-annual
11 reporting of the following: (1) the number of employees assigned to its valve program, (2) the
12 number of valves planned to be inspected or maintained in the previous reporting period, (3) the
13 number of valves actually inspected or maintained in the previous reporting period, (4) the
14 number of valves in need of repair or replacement, (5) the date for repair or replacement for
15 damaged valves, and (6) the reasons behind any decision not to repair or replace any damaged
16 valves. In other words, I suggest that the Commission require MAWC to engage in the same
17 reporting as was required of Tennessee American Water. Moreover, I suggest that the
18 Commission order MAWC to hire a sufficient number of employees to engage in the valve
19 maintenance program, as identified in American Water Company's Practice.

20 **Does that conclude your testimony?**

21 Yes.